Bulletin "H"

INCOME TAX RULINGS

= PECULIAR TO

INSURANCE COMPANIES

April 9, 1921



WASHINGTON
GOVERNMENT PRINTING OFFICE
1921



Treasury Department: : Bureau of Internal Revenue

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PREFACE.

This bulletin is issued for the use of employees of the Bureau engaged in the computation of the income and excess profits taxes of insurance companies and for the information of interested taxpayers. It is not intended as a set of regulations or as an amendment of the present Regulations 45 (1920 edition) but solely as a statement of the practice which has been established under those regulations. While not a complete manual of practice, it answers most of the questions which present themselves in everyday practice.

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LIFE INSURANCE COMPANIES.

- 1. Basis of returns.—Returns of life insurance companies shall be made on a receipts and disbursements basis, as distinguished from an accrual basis, as being in accordance with the method of accounting regularly employed by such companies. Any life insurance company having life and casualty departments shall report separately the incomes, disbursements, and liabilities of the two departments, of the life department upon the basis of receipts and disbursements, of the casualty department on an accrual basis.
- 2. Gross income of life insurance company.—The gross income of a life insurance company consists of its total revenue from the operation of the business and all other income from all other sources within the taxable year, except as otherwise provided by the statute. Gross income includes net premium receipts (that is, gross premiums less returned premiums on policies canceled, premiums on policies not taken, and such portions of any premiums received from individual policyholders as are paid back or credited to or treated as abatements of premiums of such policyholders within the taxable vear), investment income, profit from the sale of assets, and all gains, profits, and income reported to the State insurance department except income specifically exempt from tax (see par. 6). A net decrease in, or release of, reserve funds required by law within the taxable year must be included in gross income unless the company affected shall show that such decrease or release of reserve funds resulted from the application of reserves to the purpose for which they were established and did not increase its free assets.
- 3. Premiums reported during the year on monthly advance lists to War Risk Insurance Bureau. Item 20(a) of the report to the State insurance officials, convention edition.—This item will be included in income on the ground that the income is received by reason of the receipt of cash or the equivalent of cash.
- 4. Ledger assets other than premiums received from other companies for assuming their risks. Item 23.—This item refers to the reinsurance of one company by another and does not contemplate the reinsurance of individual risks which are charged through premium and loss accounts. As a general rule there is no element of gain or loss as a result of a reinsurance, except in so far as the assets transferred are greater or less than the corresponding liabilities assumed. If there is any excess of the assets received over the liabilities assumed, the

excess will represent a gain. Any assets, therefore, received by a reinsuring company and entered on its books under this item will be included in gross income for tax purposes. Payments made on account of liabilities assumed will be allowed as deductions. If the payments made do not equal the assumed liabilities, the result is that the company is properly taxed upon the element of gain arising from the transaction. In so far as the liabilities assumed consist of reserve liabilities, the company will secure an immediate deduction from income by reason of increasing its own reserve liability to such an extent.

5. Miscellaneous income. Item 36.—Items appearing under this head can only be fully treated as they are presented by individual companies.

(a) Commissions advanced in previous years now repaid.

When a commission is advanced the security for the subsequent repayment of the advance is represented by commissions not yet accrued. The company treats the advances as disbursements and not as capital transactions. Having been so treated when paid out, it necessarily follows that the company must return any amount subsequently repaid as income. The same reasoning applies to doubtful debts which require no different treatment in the case of insurance companies than in the case of corporations generally.

(b) Bonuses received for payment or extension of mortgage loans. When a payment is received by a company either for the privilege of extending a mortgage held by it, or for the privilege of paying the principal of such mortgage in advance, the payment received

constitutes gain and should be included in gross income.

6. Exclusions from gross income.—A life insurance company shall not include in gross income such portion of any actual premium received from any individual policyholder as is paid back, or credited to, or treated as an abatement of premium of such policyholder within the taxable year.

"Paid back" means paid in cash.

"Credited to" means applied by way of credit so as to reduce the premium received on the policy for the taxable year. It includes dividends applied (a) directly to the payment of the premium for the taxable year; (b) to purchase additional paid-up insurance or annuities (Item 8); or (c) to shorten the endowment or premium paying period (Item 15); or (d) left with the company to accumulate at interest (Item 22). It does not include the amount of divisible surplus annually ascertained and apportioned to deferred dividend policies.

"Treated as an abatement of premium" means of the premium

for the taxable year.

Where the dividend paid back or credited to a policyholder is in excess of the premium received from such policyholder within the taxable year there may be excluded from gross income only the amount of the premium received, and where no premium is received from the policyholder within the taxable year the company is not entitled to exclude from its premiums received from other policyholders any amount on account of such dividend payment.

- 7. Deductions allowed life insurance companies.—Life insurance companies are entitled to the same deductions from gross income as other corporations, and also to the deduction of the net addition required by law to be made within the taxable year to reserve funds and of sums other than dividends paid within the taxable year on policy and annuity contracts. As payments on policies there should be reported all death, disability, and other policy claims (other than dividends elsewhere referred to) paid within the year, including matured endowments, annuities, payments on installment policies, and surrender values actually paid. "Paid," in the case of a life insurance company, means actually paid as distinguished from accrued, since the returns are rendered upon the receipts and disbursements basis.
- 8. Reserve funds of life insurance companies.—Generally speaking, Items 7, 8, and 9 of the liability page of the annual statement, convention edition, will be considered reserves as contemplated by the statute. The net addition to reserve funds arising from an increase in survivorship investment fund, is deductible from gross income. An increase in the reserve maintained by a life insurance company for the protection of deferred dividend policies, where such reserve is required by statute, or by regulations promulgated by a State insurance department in the exercise of appropriate power conferred by statute, may be deducted from gross income.

9. Dividends and interest held on deposit surrendered during the year. Item 18.—Dividends held on deposit will not be allowed as deductions from gross income in the year in which they are surrendered, inasmuch as when they are left on deposit they are not included in income, and, therefore, when surrendered are not properly deductible. The interest paid thereon, being interest on indebtedness, may be deducted from gross income in the year in which it is paid.

10. Invested capital.—Section 326 of the Revenue Act of 1918, and article 831 of Regulations 45, define invested capital as including:

(a) Cash paid in for stock;

(b) Tangible property paid in for stock;

(c) Surplus and undivided profits;

(d) Intangible property paid in for stock (to a limited amount);

(e) Less the same proportion of such aggregate sum as the amount of inadmissible assets bears to the total assets.

Invested capital does not include borrowed capital.

- 11. Invested capital of mutual life insurance companies.—In the case of mutual life insurance companies there is no capital stock. Contributions by policyholders, notwithstanding that such policyholders are the owners of a mutual company, do not constitute or contribute to paid-in surplus. Contributions from policyholders affect only earned surplus. Invested capital, therefore, will not be changed in any year by the amount of any such contributions of policyholders. The surplus of mutual life insurance companies is generally derived through the ordinary course of business in retaining certain portions of the excess of income over the cost of operation. All surplus is, therefore, earned and not paid in. For the purpose of determining invested capital it is necessary to inquire as to the proper measure of earned surplus. The books of the company do not reflect the earned surplus, they take no account of reserves or in general of other liability items which appear in the report made by the companies to the State insurance officials. Reserves (items 7, 8 and 9 of liabilities) are held to constitute liabilities which must be taken into account in determining the amount of earned surplus. The reserve funds of life insurance companies are not, therefore, to be included in computing invested capital. In addition to the reserve items, item 22, "dividends left with the company to accumulate at interest," will be excluded from earned surplus. The amount of this item represents money belonging to individuals left with the company on deposit. Such deposits are in no sense the earned surplus of the company. They constitute borrowed capital.
- 12. Computation of invested capital.—The invested capital of life insurance companies (both stock and mutual) comprise the following:
 - (a) Ledger assets as shown in Item II of page 2 of the annual statement, convention edition, for the taxable year.
 - (b) Plus: Any excess of cost value of assets over book value. (The result will be the total assets on the basis of actual cost.)
 - (c) Minus: Any excess of book value of assets over cost value. (The result will be the total assets on the basis of actual cost.)
 - (d) Minus: Items 7, 8, 9, 22, 31, and 32 of liabilities.
 - (e) Minus: Depreciation computed on the cost of the buildings from the date of acquirement to the beginning of the taxable year. (This ruling is applicable to all buildings owned by the company whether acquired under foreclosure of mortgage or not.)
 - (f) Minus: Proportionate part of Federal income and profits taxes from the date due and payable.
 - (g) Minus: Percentage which the inadmissible assets are of the total admissible and inadmissible assets.

13. Computation of invested capital for prewar years.—Invested capital for the prewar years will be computed generally on the same basis as for the taxable year. For 1917 the deduction from invested capital on account of inadmissible assets will be made in accordance with

Regulations 41 as they apply to corporations generally.

14. Uncollected and deferred premiums.—Uncollected and deferred premiums can not reduce reserves. The legal reserves, the net addition to which is deducted from gross income, can not be reduced by the net uncollected and deferred premiums inasmuch as such premiums have not been included as premium income. It also logically follows that the same reserves, upon which the deduction of the net addition is computed for purposes of the income tax, should be taken into consideration in determining invested capital for excess-profits tax purposes. The regulations covering the adjustments by way of additions to, or deductions from, invested capital, applicable to corporations in general, will be observed and followed by insurance companies.

STOCK FIRE INSURANCE COMPANIES.

15. Basis of return.—Returns of stock fire insurance companies will be rendered on an accrual basis for the reason that such basis is in accordance with the method of accounting regularly employed by

such companies, and clearly reflects their income.

16. Change of basis.—Any company whose basis is changed in 1918 to an accrual basis will be required, in case the duplication or omission of items arising through such change in basis results in a material change in tax imposed, to readjust its return for the year 1917 in accordance with the basis used in 1918. If, in the opinion of the Commissioner, such change of basis indicates that the return for the year 1916 did not reflect the true income, an amended return for that year will also be required.

17. Premium income.—The premium income of a stock fire insurance company will consist of the gross premiums written during the year, less reinsurance and returned premiums. The result is that stock fire insurance companies will return as premium income for the year the net premiums written as shown by item 7, page 2, of the annual statement, convention edition, rendered to the insurance department. Ledger assets, other than premiums received from other companies for assuming their risks, must also be included in gross income.

18. Deposit premiums.—Deposit premiums on perpetual risks received and returned by fire insurance companies should be excluded from income and disbursements, as no reserve will be recognized covering the liability for such deposits. However, the earnings on such deposits, including such portion, if any, of the deposits as are not returned to the policyholders upon cancellation of the policies, must be included in gross income.

19. Investment income.—The income from investments, received or accrued (except interest on obligations of the United States, limited to the extent provided by the respective Acts authorizing their issue, if issued since September 24, 1917, and interest on obligations of any State, Territory, or political subdivision thereof), must be included in gross income after deducting amount paid for accrued interest on bonds acquired during the year.

20. Miscellaneous income.—Agents' balances, previously charged off, recovered, and gross profit on sale or other disposition of ledger assets, must be included in gross income, subject to the regulations

applicable to corporations in general.

21. Increase in liabilities during the year on account of reinsurance treaties.—Assets received by one insurance company from another as security under reinsurance treaties, will be excluded from gross income, as no reserve will be recognized covering such liability.

22. Items not to be included in gross income.—Borrowed money, premium on capital stock sold, and increases by adjustment in book

value of ledger assets will not be included in gross income.

23. Policy payments.—The policy payments of a stock fire insurance company will consist of the gross amount accrued for losses, less salvage and reinsurance received or recoverable, but will not include any estimate for losses incurred but not reported during the taxable year.

24. General expenses and taxes.—The general expenses and taxes of a stock fire insurance company will consist of the amounts accrued during the taxable year for such purposes, except that the accrued taxes shown in item 18, page 5, of the annual statement must be so segregated as to show the amount of Federal income and excess profits taxes included therein. The deductibility of any item included in the foregoing classification will be governed by the regulations applicable to corporations in general, except that amounts expended for renewals and replacements of furniture and fixtures may be deducted as an expense. Amounts expended for furniture and fixtures in the equipment of new offices will be treated as capital expenditures and are not deductible from gross income.

25. Net addition to reserve funds.—The net addition to reserve funds of a stock fire insurance company will consist of the net increase during the year in the unearned premium reserve as shown in item 10, page 5, of the annual statement, convention edition.

26. Decrease in liabilities during the year on account of reinsurance treaties.—Assets received by an insurance company as security under reinsurance treaties, not being income when received, may not be de-

ducted from gross income when returned. However, any interest paid or accrued on such deposited funds may be deducted from gross income.

27. Items not to be included among deductions.—Borrowed money repaid, discount or commissions on capital stock sold, or decreases during the year due to adjustments in book value of securities, will not

be included among deductions from gross income.

28. Invested capital of fire insurance companies.—The invested capital of a stock fire insurance company within the meaning of the statute is the capital paid in by the stockholders, the surplus and undivided profits of prior years remaining in the business at the close of the previous year, and the unearned premium reserve, less the defined deduction for inadmissible assets and such further adjustments as are contemplated by the statute. The computation of invested capital will be based upon the annual statement rendered to the insurance department at the close of the previous year.

Generally speaking, the invested capital of a stock fire insurance

company will comprise the following:

(a) Gross assets at the close of the previous year.

(b) Plus: Excess of cost price of real estate and securities over book value. (The result will be the gross assets on the basis of actual cost.)

(c) Minus:

(1) Excess of market value of real estate and securities over book value.

(2) Excess of book value of real estate and securities over cost price. (The result will be the gross assets on the basis of actual cost.)

(d) Minus: Amounts reclaimable by the insured on perpetual

policies.

(e) Minus: Depreciation computed on the cost of the buildings from the date of acquisition to the beginning of the taxable year.

(f) Plus or minus: Changes in invested capital during the year,

as follows:

Additions:

(1) By sale of capital stock for cash or other assets;

(2) By payment of assessments or surplus by stock-holders.

Deductions:

(1) By payment of cash dividends out of earnings of prior years, or the first 60 days of the taxable year;

(2) By payment of Federal income and profits taxes.

(g) Minus: Percentage of inadmissible assets computed in accordance with section 326(c).

STOCK MARINE INSURANCE COMPANIES.

29. Net income and invested capital.—The net income and invested capital of stock marine insurance companies will be determined in the same manner as are the net income and invested capital of stock fire insurance companies.

STOCK CASUALTY COMPANIES.

30. Basis of return.—The rule concerning the use of State reports and the requirement that returns be made upon an accrual basis are the same as in the case of stock fire insurance companies. See

paragraph 15.

- 31. Readjustment of returns.—Any company whose basis is changed in 1918 to an accrual basis will be required, in case the duplication or omission of items arising through such change in basis results in a material change in tax imposed, to readjust its return for the year 1917 in accordance with the basis used in 1918. If, in the opinion of the Commissioner, such change of basis indicates that the return for the year 1916 did not reflect the true income, an amended return for that year also will be required.
- 32. Gross income.—The premium income of casualty or miscellaneous insurance companies is reported to the State insurance officials on the same basis as that of fire insurance companies; in other words, upon a written basis. The amount of premiums written, but not received by the home office, is reported somewhat differently in the case of casualty companies than in the case of fire companies. In fire insurance companies the amounts are reported as agents' balances and in miscellaneous companies they are reported as premiums in the course of collection. The items, however, are of precisely the same character. Written premium income as shown in the report to the insurance commissioner includes:
- (a) Gross premiums written during the year, including premiums in the hands of agents or uncollected at the end of the year;
- (b) A deduction for any premiums uncollected at the end of the preceding year which are not paid for during the year.

As in the case of fire insurance companies net premiums written, as shown in the State reports, constitute and clearly reflect the accrued or earned premium income.

33. Policy fees required or represented by application. Item 21.—Policy fees are sometimes required with the application for insurance. Generally if the policy is subsequently not taken, the policy fee will be forfeited and retained by the agent. When disbursed this amount is shown in item 23 of disbursements and allowed as an expense of doing business in the return of annual net income. This item, therefore, is properly included in gross income.

- 34. Compensation for inspections.—Inspections constitute a service rendered to the insured by the company. Where such service is compensated for, the compensation constitutes income and will be so reported under this item.
- 35. Miscellaneous income.—Other items of income will be treated in accordance with the regulations applicable to corporations generally.
- 36. Payments on policies. Item 17.—Under this heading the total of item 17, page 3 of the annual statement, will be deducted. Since the unpaid losses and claims are included in the total reserves, the net addition to which is deducted from gross income, no accrued losses will be permitted as a deduction from gross income under this item.
- 37. Addition to reserve funds, items 20 and 26.—Items 20 and 26 on the liability page are held to be reserve funds required by law or by the insurance commissioners of the various States, pursuant to the authority vested in them by statute. The net addition to these items is therefore deductible from gross income.
- 38. Net addition to reserve funds.—The amount deductible as net addition to reserve funds is the excess of the total reserve funds as required by law at the end of the taxable year, over the total of such reserve funds at the beginning of the year, regardless of the fact that during the year the reserve funds are increased on account of new business and decreased when policies mature, lapse, or are surrendered.
- 39. Health and accident companies.—A law requiring casualty companies to establish certain reserves is to be construed as applying to companies issuing exclusively health and accident policies, unless the terms of the law are such as to indicate they are not to be included in that term, or unless they are held not to be included in that term by the courts of the jurisdiction in which that law was enacted.
- 40. Estimated expenses of investigation and adjustment of unpaid claims, item 21.—This item is not considered to constitute a legal reserve; hence, the net addition thereto is not deductible as net addition to reserve funds.
- 41. Invested capital.—The invested capital of a stock casualty insurance company comprises the following:
 - (a) Gross assets at the close of the preceding year.
 - (b) Plus: Excess of cost price of real estate and securities over book value. (The result will be the gross assets on the basis of actual cost.)

(c) Minus:

- (1) Excess of market value of real estate and securities over book value as indicated by items 39 and 40 on page 4 of the annual statement. convention edition;
- (2) Excess of book value of real estate and securities over cost. (The result will be the gross assets on the basis of actual cost.)

(d) Minus:

- (1) Estimated expenses of investigation and adjustment of unpaid claims:
- (2) Commissions, brokerage, and other charges due, or to become due, to agents or brokers;

(3) Salaries, rents, expense bills, etc., due or accrued;

- (4) Estimated amount hereafter payable for taxes (exclusive of Federal income and profits taxes);
- (5) Amounts due, or to become due, for borrowed money;

(6) Interest due or accrued;

(7) Returned premiums and reinsurance.

(e) Minus: Depreciation, computed on the cost of buildings from the date of acquisition to the beginning of the taxable year.

(f) Minus: Inadmissible assets computed in accordance with section 326(c).

(g) Plus or minus: Changes in invested capital during the year, computed in accordance with the regulations applicable to corporations in general, as follows:

Additions:

- (1) By sale of capital stock for cash or other assets;
- (2) By payment of assessments or surplus by stock-holders.

Deductions:

(3) By payment of cash dividends out of the earnings of previous years, or the first 60 days of the taxable year;

(4) By payment of Federal income and profits taxes.

42. Computation of invested capital.—In view of the fact that the various State laws differ in regard to the computation of the unpaid claims reserve of stock casualty insurance companies, the computation of invested capital as outlined above must be based upon the same annual statement upon which the net addition to reserve funds is computed.

MUTUAL INSURANCE COMPANIES.

(Other than mutual life and mutual marine insurance companies.)

- 43. Mutual insurance companies (other than mutual life and mutual marine insurance companies).—Mutual insurance companies (other than mutual life and mutual marine insurance companies) will be divided into two classes:
- (a) Those whose premium income consists of assessments, dues and fees, or stipulated cash premiums;
- (b) Those companies which require their members to make premium deposits to provide for losses, expenses, and reinsurance reserves.

Companies coming within class (a) will be treated in the same manner as stock fire and easualty companies except that their returns will be rendered on a receipts and disbursements basis. Companies coming within class (b) will be treated in the same manner as companies coming within class (a) except that additional deductions will be permitted on account of premium deposits written within the tax year returned to policyholders, and that portion of the premium deposits which is retained at the end of the year for payment of losses, expenses, and reinsurance reserves.

In determining the amount of premium deposits retained by a mutual fire or mutual casualty insurance company falling within classification (b) for the payment of losses and expenses and reinsurance reserves, it is to be presumed that losses and expenses have been paid out of earnings and profits, other than premiums, to the extent of such earnings and profits.

44. Reciprocal insurance exchanges or associations.—This class of insurance companies will be subject to the specific provisions of the law as applied to mutual fire insurance companies and will be classified as are the latter companies in accordance with the method of doing business. The returns of such exchanges or associations will be rendered upon a receipts and disbursements basis in accordance with the reports made to the various State insurance departments, unless it can be shown to the satisfaction of the Commissioner that the accrual basis more clearly reflects the income and is the method regularly employed in keeping the books of account.

MUTUAL MARINE INSURANCE COMPANIES.

45. Special deductions allowed mutual marine insurance companies.— Mutual marine insurance companies should include in gross income the gross premiums written by them less amounts paid for reinsurance. They may deduct from gross income amounts repaid to policyholders on account of premiums previously paid by them, together with the interest actually paid upon such amounts between the date of ascertainment and the date of payment thereof. The remainder of the premiums form part of the net income, except to the extent that they are subject to the deductions allowed insurance companies generally and other corporations. Returns will be rendered on a receipts and disbursements basis in accordance with the reports made to the various State insurance departments, unless it be shown to the satisfaction of the Commissioner that the accrual basis more clearly reflects the income and is the method regularly employed in keeping the books of account.

CORPORATIONS ISSUING COMBINATION POLICIES.

46. Corporations issuing combination policies.—Corporations which issue combination policies of life, health, and accident insurance on the weekly premium payment plan, continuing for life and not subject to cancellation, may deduct from gross income only such portion of the net addition, not required by law, made within the taxable year to reserve funds, as is needed for the protection of the holders of such combination policies. In general the net addition to any fund especially maintained for the protection of such policyholders may be deducted. The determination by the company of the need for such addition is subject to review by the Commissioner, and the return of income should be accompanied with a full explanation of the basis upon which such fund, and the additions to it, are determined. It is required that the reserves be based upon certain standard and recognized tables of experience covering disability benefits contained in policies issued by this particular class of companies.

FOREIGN INSURANCE COMPANIES.

- 47. Gross income.—The gross income of a foreign insurance company or association means its gross income from sources within the United States, including the interest on bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise, and dividends from resident corporations. The income from business relating to a foreign country which is transacted by a United States branch or agency of a foreign insurance company or association must be returned as gross income. Foreign insurance companies or associations transacting business or having an office in both the continental United States and Porto Rico are not, however, subject to income tax in continental United States upon its income derived from Porto Rico.
- 48. Income not subject to tax.—Dividends on stock and interest on notes of corporations organized in the United States but doing no

business and owning no property therein paid to foreign insurance

companies or associations are not subject to tax.

49. Income from United States bonds.—By virtue of section 4 of the Victory Liberty Loan Act of March 3, 1919, amending section 3 of the Fourth Liberty Bond Act of July 9, 1918, the interest received on and after March 3, 1919, on bonds, notes, and certificates of indebtedness of the United States and bonds of the War Finance Corporation, while beneficially owned by a foreign insurance company or association not engaged in business in the United States, is exempt from all income, war profits, and excess profits taxes.

50. Company having agent in United States.—A foreign insurance company not licensed in the United States but doing business therein

through an agent is liable to tax.

51. Deductions allowed foreign insurance companies.—Foreign insurance companies are allowed the same deductions from their gross income arising from sources within the United States as are allowed domestic insurance companies to the extent that such deductions are connected with such gross income, with the exception that the interest deductible is that proportion of so much of the entire interest paid on the corporate indebtedness as would be deductible if paid by a domestic insurance company which the gross income from sources within the United States bears to the total gross income, and that full deduction may be made for taxes imposed by the United States or any of its possessions, or by any State, Territory, or political subdivision thereof, except taxes for local benefits and income, war profits and excess profits taxes.

52. Rate of exchange.—In applying a rate of exchange to reduce the statement of a foreign insurance company or association to terms of dollars and cents the current rate of exchange at the end of the

taxable year will be used.

53. Computation of tax of foreign insurance companies.—Sections 327 and 328 of the Revenue Act of 1918 provide for the computation of the excess profits tax in the case of a foreign corporation based upon the ratio between the tax and net income of representative corporations engaged in a like or similar trade or business. Under this Act, therefore, no question is presented in connection with such tax other than the proper determination of what constitute representative corporations engaged in a like or similar trade or business. For this reason a foreign insurance company or association rendering a return of income on Form 1120, revised, should make no entry of invested capital thereon.

EXEMPTIONS.

54. Mutual insurance companies and like organizations.—It is necessary to exemption that the income of the company be derived solely

from assessments, dues, and fees collected from members for the sole purpose of meeting losses and expenses. If income is received from other sources, such as cash premiums or premium deposits, the insurance company or association is not exempt, even though its additional income is tax exempt. Income, however, from sources other than those specified does not prevent exemption where its receipt is a mere incident of the business of the company. Thus the receipt of interest upon a working bank balance, or of the proceeds of the sale of badges, office supplies, or equipment, will not defeat the exemption. The same is true of the receipt of interest upon Liberty bonds where they were purchased as a patriotic duty and were afterwards sold. Where, however, such bonds are bought as a permanent investment, the receipt of the interest destroys the exemption. The receipt of what is in substance an entrance fee, charged by a mutual fire insurance company as a condition of membership, does not render the company taxable, although this fee is called a premium. A local exchange or association to insure the owners of automobiles against fire. theft, collision, public liability, and property damage is exempt, since it performs functions of the same character as a mutual fire insurance company and is a like organization within the meaning of the statute. The phrase "of a purely local character" qualifies only "like organizations." An organization of a "purely local character" is one whose business activities are confined to a particular community, place, or district irrespective, however, of political subdivisions. The word "purely" intensifies and limits "local," and indicates a clear intention on the part of Congress to exempt from taxation only such "like organizations" as are entirely and unqualifiedly "local" in their operations.

55. Mutual savings banks.—A Massachusetts savings bank otherwise exempt, which establishes an insurance department under the statutes of that State, does not thereby become subject to tax upon the income

received by such department.

56. Fraternal beneficiary societies.—A fraternal beneficiary society is exempt from tax only if operated under the "lodge system," or for the exclusive benefit of the members of a society so operating. "Operating under the lodge system" means carrying on its activities under a form of organization that comprises local branches, chartered by a parent organization and largely self-governing, called lodges, chapters, or the like. In order to be exempt it is also necessary that the society have an established system for the payment to its members or their dependents of life, sick, accident, or other benefits.

57. Insurance association incorporated to permit automobile owners to exchange contracts of insurance and indemnity.—An insurance association incorporated for the purpose of permitting automobile owners

to exchange contracts of insurance and indemnity without becoming jointly liable as subscribers on any risk, its only source of income being from assessments, dues, and fees collected from members for the sole purpose of meeting expenses, if its operations are confined to a single locality, is a "like organization of a purely local character" within the meaning of section 231 of the Revenue Act of 1918, and is exempt from income taxes.

58. Mutual health and accident associations.—Mutual health and accident associations are not "like organizations" and, therefore, are

taxable under the Revenue Act of 1918.

59. Travelers' associations.—A travelers' association providing for fixed death benefits to the beneficiaries of the members is held to be a mutual life association and not a fraternal beneficial society. Since the law provides for no exemption for mutual associations of this character, they are liable for returns and must pay the tax, if any, shown to be due.

- 60. Mutual liability insurance company deriving its income in part from premiums.—A mutual liability insurance company deriving its income in whole or in part from premiums is not within the class of corporations specifically exempted, and must file a return showing its net income.
- 61. Proof of exemption.—In order to establish its exemption, and thus be relieved of the duty of filing returns of income and paving the tax, it is necessary that every insurance company claiming exemption file with the collector of the district in which it is located a copy of its charter and by-laws and an affidavit showing the character of the organization, the purpose for which it was organized, the sources and disposition of its income, whether or not any of its income is credited to surplus or may inure to the benefit of any private stockholder or individual, and in general all facts relating to its operations which may affect its right to exemption. Upon receipt of the affidavit and other papers by the collector, he will inform the company or association whether or not it is exempt. If, however, the collector be in doubt as to the taxable status of the organization, he shall refer the affidavit and accompanying papers to the Commissioner for decision. When a company or association has established its right to exemption it need not thereafter make a return of income or any further showing with respect to its status under the law, unless it changes the character of its organization or operations or the purpose for which it was originally created. Collectors shall keep a list of all exempt corporations, and shall inquire from time to time into their status and ascertain whether or not they are observing the conditions upon which the exemption is predicated.

GENERAL PROVISIONS.

62. Net addition to reserve funds of insurance companies.—Insurance companies may deduct from gross income not only the net addition to reserves required by express statutory provisions, but also the net. addition required by the rules and regulations of State insurance. departments when promulgated in the exercise of an appropriate power conferred by statute; but such reserves do not include assets required to be held for the ordinary running expenses of the business. In the case of assessment insurance companies actual deposits of sums. with State or Territory officers, pursuant to law, may be deducted as additions to guaranty or reserve funds. Only reserves peculiar to insurance companies are to be taken into consideration in computing the net addition to reserve funds required by law. Any insurance company under the law is permitted to make use of the highest reserve. called for by any State within which business is done. It is required. however, that any company using the reserve of any State other than its home State as of the end of any year, shall use the reserve required. by the same State as of the beginning of the next succeeding year in determining the deductible net addition to reserve funds. To illustrate, it is not permissible to compute the net addition to reserve funds upon the requirements of Ohio at the end of one year, and. of New York as of the beginning of the following year, it being held that the reserve funds required by the statutes or regulations of the State of Ohio must be used in both cases.

APPENDIX.

(21)

APPENDIX.



LIFE COMPANIES, CONVENTION EDITION

ANNUAL STATEMENT

TO THE

Internal Revenue Bureau, Treasury Department

WASHINGTON, D. C.

Supplemental to Returns of Annual Net Income

For the Year Ending December 31, 19

OF THE CONDITION AND AFFAIRS

Organized under the Laws	of the State of	as made to the
INSURANCE COMM	IISSIONER of the STATE OF _	
	pursuant to the laws thereof.	
Incorporated	Commenced Business	
Home Office	es Penes	(City or Trion and Grass.)
	OFFICERS	-1
President		
Secretary	Vice Presidents	
Treasurer		
	Actuary	
	(23)	

Amount brough	eforward
III—DISBURSEMENTS	
2. For death claims (less 8reinsurance), 8	
Additions	
2 *For matured endowments (less \$reineurance), \$	
Additions	
3. (a) For total and permanent disability:	. 1 1111111111111111111111
Premiums waived during the year,	
Paymente made to policybolders during the year,	
(b) For additional accidental death benefits	
6. Not amount paid for losses and matured endowments	, , , , , , , , , , , , , , , , , , , ,
6. Premium notes and liens voided by lapse, less, 8 restorations	
7. Surrender values paid in cash or applied in liquidation of loans or notes	
8. Surrender values applied to pay new premiums (see Income No. 8)	
To pay renewal premiums (see Income No. 16)	
9. Surrender values applied to purchase paid-up insurance and annuities (see Income No. 9)	
8. Dividends paid to policyholders in cash, or applied in liquidation of loans or notes	
1. Dividends applied to pay renewal premiums (see Lucome No. 14)	
2. Dividends applied to shorten the endowment or premium-paying period (see Income No. 1	
3. Dividends applied to purchase paid-up additions and annuities (see Income No. 8)	
4. Dividends left with the company to accumulate at interest (see Income No. 22)	
S. (Total paid policyhelders, 8.	
S. Expense of investigation and estilement of policy claims, including 6	
Expense of investigation and settlement of policy claims, including a	
7. Past for claims on supplementary contracts not involving ins contingencies	
8. Dividends and interest thereon held on deposit surrendered during the year	
9. Paid stockholders for interest or dividends	
Commissions to agents (less commission on reinsurance): .	1 111111111 1111111
First year's protniums, 8; Renewal promiums, 8	
Annuities (original), 8	
I. Commuted renewal commissions	
t. Compensation of managers and agents not paid by commission for services in obtaining to	
 Agency supervision and traveling expenses of supervisors (except compensation for home vision) 	
i. Branch office expenses, including salaries of managers and clerks not included in Item 22	
8, Medical examiners' fors, 8 inspection of risks, 8.	
8. Salaries and all other compensation of officers, directors, trustees, and Home Office employ	•••
S. Advertising. 8; printing and stationery, 8; poeta	re, telegraph,
telephone, and express, \$ exchange, \$	
9. Legal axpense not included in Item 16	
D. Furnisture, fixtures, and safer	
I. Repairs and expenses (other than taxes) on real setate	
2. Taxes on real estate	
2. State taxes on premiums	
i. Insurance department licenses and feet	
i, All other licenses, Iees, and taxes (give items and amounts):.	
). Federal corporation tax other than income and profite tax , 8	
. Federal income and profits tax	
L	
. Other disbursements (give items and amounts):	
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i. Agente' balances charged off	
i. Borrowed money repaid (gross)	
L. Interest on borrowed money	
7. Gross loss on sale or maturity of ledger assets, vist	4 1111111111111111111111111111111111111
(n) Real Estate, per Schedule A	
(b) Bonds, per Schedule D	
An discharge Charles To	
(c) Stocks, per Schodulo D	
s. Gross decrease, by adjustment, in book value of jedger assets, viz:	4 1111111 111111
(a) Real Estate, per Schodule A	
(b) Bonds, per Schedule D (including 8	
EASON OF PROMISENS)	
(c) Stocks, per Schedule D . Torat Dessuranments	╼╸╼╺╉╼┧╂┪╂╬ ╅╇┫╶╎╎╏╏╏╏╏

IV-LEDGER ASSETS			11	111	111	
1. Book value of real estate (less 8	A	1, 1111111	\prod			
2. Mortgage loans on real asiate, per Schoolule B. first liens			1	HI	111	1
Other than first lions		1		111	111	1
3. Long secured by pledge of bonds stocks, or other collateral, per Schedule C			11	Ш	111	1
 Loans enade to policyholders on this company's policies assigned as collaters. 				111	\mathbf{H}	ł
A. Premiums notes on policies in force, of which 8			7 1	Ш	111	1
6. Book value of bonds, \$			7-1	Ш	111	1
7. Cash in company's office				Ш	111	1
8. Deposite in trust companies and banks not on interest, per Schedule E		1		Ш	111	1
Deposits in trust companies and benks on interest, per Schedule E				Ш	+	1
20. Bills receivable, 5		1	11	Ш	Π	1
Bet, 8	.,,	1 11111111	\mathbf{I}	111		1
ft-				111	111	1
12. TOTAL LEDGER ASSETS, AS PER BALANCE ON PAGE 5		}	٦. ١	111	111	
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NON-LEDGER ASSETS		1 111111111		Ш	Ш	1
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	ichedule D, Part 1			Π		
15. Interest due, 8			.[]	Π	Ш	1
16. Interest due, 8			41		111	
17. Interest due, 8			.[]	Π	111	
18.		1.111111		111	111	
19				111		
20. Rents due, 8on company	e property or lease			Ш	Ш	
21. TOTAL DITERRAT AND SENTS DUR AND ACCRUSED				Ш	Ш	Ш
22. Market value of real estate over book value, pag Scheffule A				Π		
23, Market value (not including interest in Item 14) of bonds and stocks over been						
24. Due from other companies for losses or claims on policies of this company.						
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25. Gross premiums due and unreported on policies in force December 31,	3	1	11	111	Ш	1
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surance premiums on posicion in force becamber 41,49 (see rem-	ALSO AND		- 1	111	111	Н
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29. Not amount of uncollected and deferred premiums			-	111		
30. All other assets (give ftems and amounts)				-144		-
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32.				+++		+
51.				++1		
34.				++-		+
35. GROSS ASSETS			1	+++		+
DEDUCT ASSETS NOT ADMI	TTED			Ш		П
36. Company's stock owned, \$; loans on \$. 1		111		Н
37. Supplies, stationery, printed matter, 3; furniture, fixtures, as	nd sales, 8			± 11		
38. Commuted commissions, 8	pross, 1	<u></u>	41		Ш	П
29. Cash advanced to or in the hands of officers or agents				111		
40. Loans on personal security, indeped or not, 8; bill receival		-			Ш	11
41. Premium notes, policy loans, and other policy amote in excess of net value					Ш	11
on individual policies				111	Ш	
42. Overdue and accrued interest on bonds in default			_		Ш	П
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43. Market value of special deposité in excess of corresponding liabilities, p					111	ı I
43. Market value of special deposits in excess of corresponding liabilities, p				111	1111	11
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page 10 44. Book value of ledger sanets over market value, vis:						

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	resent value of amounts incurred but not yet due for total and permanent of	bankal	rte h			-	*****	1 .	П	Ш	П	ш	1		11	+	11	rt	1	
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,	Reserve for not Death Losses incurred but unreported,	: :							П	П		П			П		11	н	П	
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SCHEDULE'A-Part 1

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_	QUANTITY DISTRIBUTION AND LOCATION	-		Assessed				Decrease, or	DETENT, 99		GROSS AUTO IN	er facous, v	GROSS AND MET SHOOMS, PARES, BEFARES, AND BEFERSE FOR SACE OF LAST FISHER TRABS	A AMB BEPRE	HE POR SACE	1 07 LAST THE	TRABO				ı
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SCREDULE A—Part 2 Shaqing all Real Eduta ACQUIRED During 19——, and chatting also "Impanta lixpended for Additions and Per

				Other man and the second secon		Owner results	
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Standing all Real Estate SOLD During 19....., Including Payments During 19..... on "Sales under Combust."

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SCHEDULE D-Part 1

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SCHEDULE D-Part 2

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SCHEDULE D.—Part 4

whe SOLD, REDEEMED, or otherwise DISPOSED OF During 19...

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SCHEDULE X-UNLISTED ASSETS

ord which is not included in the footnoined nationary, on the state of Theomber, 19..., which is not entered on any other schedule and included in the fractional for the year 19.... Showing all property owned by the

BRADN'S FOR NOT GABITING PROPERTY ON BOOKS Donas Har Dens bens Acres One Designation of Design N. D. Pas Vacen Statement and Pres. Par Park Torate, Person Person American

ANNUAL STATEMENT OF THE

SCHEDULE E

Showing all Expenditures in Connection with Natters Before Legislative Bodies, Officers, or Departments of Covernment During 19...

DATE		PATER	AMOORY	PROSE EDING	CORPORATION THEREIN
	RAYE	ADERP48	7.15	PROGREDING	COMPORATION THEREIN
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ANNUAL STATEMENT

TO THE

Internal Revenue Bureau, Treasury Department

WASHINGTON, D. C.

Supplemental to Returns of Annual Net Income.

For the Year Ending December 31, 19

OF THE CONDITION AND AFFAIRS OF THE

		Insurar	nce Company
Organized under the	Laws of the Stat	e of	as made to the
INSURANCE C	OMMISSIONE	R of the STATE OF	-
	pursuan	t, to the laws thereof	o
Incorporated		Commenced Business	(City or Twee and Report)
		OFFICERS	Total Control
President		-	
Secretary		Vice Presidents	
Treasurer,			

			Т	Т	F11	T		-
	I-CAPITAL STOCK		1	1	1	1	П	
1.	Amount of capital paid up		I	П		ı	П	
	Amount of ledger sesses (as per balance) December 31 of greeieus year					1	П	
	crosse of paid-up capital during the year			1		1		
	Extended at	8	1	1	H	1	Ц	
	II-INCOME							
	(t) (f) (f) (f) (f) (f) (f) (f) (f) (f) (f		H		П	ı	П	i
		8	ı	П	П		П	
8,	Gross premiums, per item 2, VI, page 8 †			П	П	L	Ц	
8.	Dedugt:			П	П	ŀ	Н	
ĺ	Relationers premium, fire, R		П	П		1	H	
	Return premiums, fire 8			ļ	П	L	Н	-
7.	Total net premiums written (other than perpetual)	8	+		H	+	Н	
8.	Deposit premiums written on perpetual radu (gross)	-	-	-	1	1	H	-
ø.	Gress interest on mortgage loans, per Schedule B, Issa 8 scorned interest on		1		1	1	Н	
	mortgages acquired during 19						П	
LO.	Gross interest on collateral Joans, per Schedule C				П	1	Ш	I
11.	Gross interest on bonds and dividends on stocks. Item 8 sourced interest on				1		П	ł
	bonds acquired during 19, per Schedule D				1	1	۱	
12.	Grow interest on deposits in trust companies and banks, per Schadule N					1	П	
	Gross interest from all other sources (give items and amounts);			П			Н	
ia.	•						П	
15.							H	
16,	Gross rents from company's property, including 8						П	
	its own buildings, Ions 2				Н	1	П	٠
17.		-	+	H	H	+	Н	
18.	From other sources (give items and amounts):		1	П	П		П	1
2 0 .	• • • • • • • • • • • • • • • • • • • •		1	П	П	1	П	1
20.					П	1	П	ı
			H	H	Н	t	Н	ı
22.			1		Н	1	П	
	Increase in liabilities during the year on account of reinsurance treaties _ e		+	+	Н	t	Н	-
	Remittances from Home Office to United States Branch (green)		+	+	Н	+	Н	-
	From agents' balances previously charged off	-	+	+	H	+	H	-
	Borrowed money (gross);	-	+	†	H	t	H	۲
24.	Gross profit on sale or maturity of ledger assets, vis.: (a) Real estate, per Schedule A		1		П		H	
	(i) Bondy, per Sobridule, D						П	
	(e) Stocks, per Schadule D		1		Ц	1	Ц	
77.	Gross increase, by adjustment, in book value of ladger assets, vist				H			1
-	(a) Real actata, per Schedule &							
	(6) Bonds, per Schedule D		П	1	Ш	1	П	-
	(e) Stocks, per Schadule D.	-	H	+	Н	+	H	_
28.	Total Isones	٠.	H	+	Н	+	Н	
39.	Amount served forward,	8	H	+		+	H	-
	6 Owns and Jahord, also Astronolds, using pulleds limited to the cover. 9 By grees pressures in most the agreement of all the presistant vertices in the policies or removals. Are they as returned in this statement?			1	۱۱	-		
			Н	1				
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			П	1	H			
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7 100111	Amount brought forward, 3
	DISBURSEMENTS
	med, in eary,
(Including Fire 8	••••••••••••••••••••••••••••••••••••••
Page	. 800 000 000 000 000 000 000 000 000 00
S. selvage ,	
B. Reinstrance received , S	
6. Not lesses paid	•••••••••••••••••••••••••••••••••••••••
8. Loss adjustment expenses "	·····································
6. Agents' compensation, including brokerage	╸╸╸╸╸┣═╂╁╬╂╬┼╂╠═╅┼╀┽┼┼┞╴┫╶╎╿╿╿╿╿┦
T. Agenta' allowances	·›···································
TOTAL (8 and 7 only)	
6) Expenses of field meh	
(c) Executive—Travellog expenses of others than	
TOTAL FIRED SUPERVISORY EXPERSES	
8. Salaries and Fees -Directors, officers and clerks	
10. Rents, including 1 for rest only for co	empiany's eccupancy
1). Purniture and Fetures, including real of and repairs to	
12. Maps, including corrections	
13. Impections and surveys, including Underwriters' Bear mations	
14. Federal taxes 5	
15. Taxm, Licenses and Fees: (a) State, County and Municipal	
B) Insurance Department ,	• > • • • • • • • • • • • • • • • • • •
(c) Fire Department	· · · · · · · · [-] [] [] [] [] [] [] [] [] [] [] [] [] []
(d) Fire Patrol and Salvage Corps	
'(e), All other taxes, licenses and fees (except on re	tal actato)
	I*++++++
14. Postage, Telegraph and Telephone, Exchange and Exp	┍┉ ╶╸┊╶╴┡╾┼┼┼┼┼┼┼┼┼┼┼┼╎╎╎┈╏┈╏╎┟┟┟┟┼
17. Legal expenses, excluding legal expenses on lones , ?	· · · · · · · · · · · · · · · · · · ·
18. Advertising and subscriptions, 1 Printing and	
19. Agents' balances charged off	•. • • • • • • •
, 20. Miscellaneous, itemised (a)	
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(%)	
.6)	╼╼╼╼╼╼═╇═┦╷┖┡┹┖┶╁┸┉┸┈┼┟┟╁╁╁┼╁┉╂┉┧┧┧╎┼╂╡┧┉╂
;23. Deposit promiums returned on perpetual risks	
	(green) 0, 10, 10, 10 to 10, 10 to 1
22. Real estate expenses:	
(q) Ropairs and expenses:	
29. Paid stockholders for dividends (amount declared durin	
	Internet paid to serip holders, \$
26. Decrease in liabilities during the year on account of re-	
28. Occurs in management of ledger amote, viz: (a) Heal estate, per Schedule A	
(6) Bonds, per Schodule D	
(e) Stocks, per Schedule D	
27. Orem decrease, by adjustment, in book value of ledger (a) Real estate, per Schedule A	
(b) Bonda, per Schodulo D	
(r) Stocks, per Schedule D	
-39. Endepost of hospowed money	
130. Total Descriptions	
30. TOTAL DESCRIPTION	

4 AMAUAL STATEMENT OF THE	find o
IV—LEDGER ASSETS	
1. Book value of real estate Goss 8	1
2. Merigage loans on real estate, per Schadule B, first Frea, S	
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8. Loans secured by piedge of bonds, stocks or other collateral, per Schedule C	
4. Book value of bonds. 8	1
8. Cash in company's office	1 11111111
6. Deposits in trust companies and banks not on interest, per Schodulo N	
7. Deposits in trust companies and banks on interest, per Schodule N	
6. Agents' balances representing business written subsequent to October 1, 19	
9. Agenta' balances representing business written prior to October 1, 19	1
6. Bills receivable, taken for marine and inland risks	1
1. Bills receivable, taken for fire riskst ,	
12. Other ledger assots, vis	
	1
(4 ':	1 111111111
6. TOTAL LEDGER ASSETS, AS FEE BALANCE ON PAGE 8	╏╸┼┼┼┼┼┼┼┼
NON-LEDGER ASSETS	1 11111111
1.11.11.11	
17. Interest due, 9and accrued, 8on mortgague, per Schadule B 8 18. Interest due, 8on bonds, per Schadule D, part 1	1
19. Interest due, 8 and accrued, \$ on collateral loans, per Schedule C, part 1	1
20. Interest due, 8and accreed, 8on other asseja (give items and amounts)	1
i	4
22. Ronts dus, 8	1
24. TOTAL	
25. Market value of real estate over book value, per Schedule A	1-1-1-1-1
26. Market value (not including interest in item 18) of bonds and stocks over book value, per Schedule D	I-++++++-I
27. Other nonledger assets, vis:	1-1111111
	1-1111111
30. Georg America	
DEDUCT ASSETS NOT ADMITTED	
81. Company's stock owned, 8	4
22. Supplies, printed metter and stationery	1
33, Furniture, Intures and sales 34. Agents' balances, representing business written prior to October 1, 19	j
35. Bills receivable, past due, taken for marine, inland and fire risks	1
35a. Excess of bills receivable, not past due, taken for fire risks over the uncarned premiums thereon	1
36. Loans an personal security, indorsed or not	
27. Overdue and accrued interest un bonds in default 38. Market value of special deposits in excess of corresponding liabilities, per special deposit schedule	
page 10	
39. Book value of real estate over market value	
40. Book value of bends and stocks over market value 41. Book value of other ledger seests over market value, viz:	1. [] [] []
42. Total Assetted Assets	
Dacinda havin oil opmey had home office presidence not over three months doe, less retanarance, return president, commission, and agents' credit balances.	
Great measures. 3 Recited bearin all squeey and home office pressures over three mention due, less relacazation, return pressures, and commissions. 5 Reciteding leastness other than "Marine and Rahard,"	

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PBS 0		INSURANCE COMPANY	5
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V—LIABII 1. Grow losses adjusted and unpaid:	THES.	PIRE PREMIS AND	
(a) Due			
The state of the s	J. J		
2, Gross claims for losses in process of adjustmen	3 3		
fire and 2 marine and ini	and, for losses incurred prior to end of year		
of statement, of which no notice had then			
3. Gross claims for losses resisted	1 15		
4. Toral		•	
5. Deduct reinsurance as per Schedule E, colum	ns (2) and (4)		
6. Net amount of unpaid losses and	claima	<u> </u>	
7. Gross pressiums (less relasurance) received an	d receivable upon all unexpired fire risks; 8		
unearned premiums per recapitulation pag	v 8, column 6†		
8. Gross premiums (less reinsurance) (cash and	bills) received and receivable upon all unexp	ired (september 1	
The control of the beautiful to be a second or the beautiful t	ed premiums (fifty per cent);		
9. Gross greenjums (less reineurance) (cash and b	2	2 1 11 11 11 11 11 11	
	73		
risks, \$; uncerned precidus	10		
10. Total uncarned premiums as computed above			
11. Amount reclaimable by the insured on perpet	nal fire insurance policies, beingper ce	nt of the premium or deposit received	
12. Net premium reserve end all other liabilities			
 Unused balances of bills and notes included policies or otherwise, returnable on settler 	in admitted assets, taken in advance of po- nent, out included in items 8 and 9 above	remiums on open marine and inland	
14. Principal unpaid on scrip or certificate or pr	ofite authorized or ordered to be redeemed		
15. Interest due or accrued, including \$		11	
16. Dividends declared and impaid to etockhold	1 4		
1 1 1 1 1 1 1 1 1 1 1 1 1			
 Salaries, rents, expenses, bills, accounts, fees Estimated amount hereafter payable for Fe 			
ment (Federal)			
18a. Show amount hereafter payable for Federal	income taxes separate from all other taxes	(State and other)	
18. Contingent commissions or other charges du	or accreded to the second second		4111
20. Fends held under reinsurance treatice		ca impelies a con a garage	1111
21. Due and to become due for borrowed money			
		Mr. Company	
22. All other Habilities, vis:		marker (marker) are a consequent and product to the consequent of the consequence of the	III
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22.			
23	TRE EXCEPT CAPITAL		
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28. Total Anguet of all Labell	1		
22. Toras Austria or all Labitat	1		
28. Toras Assours or ass Labras. 26. Capital paid up. 27. Simplus orus all Stabilities 28. Surplus as regards policybolders			
28. Toras Assours or ass Labras. 26. Capital paid up. 27. Simplus orus all Stabilities 28. Surplus as regards policybolders			
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SCHEDULE'A. Part 1
Shouing all Real Estate OWNED December 31, 19......, the Cost, Book, and Market Palse thereof, the Nature and Annual of all Leine and Ensumbrances thereon, including Interest Due and Acresed, Ro

8	ABSTRAT. DESCRIPTION AND LOCATION							Thomas or	Premies, or		ORCHO AND HET DROOMS, VATES, REPAIRS, AND REPRESE POR EACH OF LAST THRRE TEARS	I DIODUEL TA	XBR, REPAIRS,	AND REPER	DAS FOR EACH	H 07 LAST THE	RRE TEALS	1		Depring Property
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mts Mode During soid Frow to ALL Real Estate SCHEDULE 4. Part 2. Seen jenes &CQURED During 19 and &Couche about another Depended for Addition

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SCHEDULE D—Part 2

SCHEDULE D—Part 2

SCHEDULE D. 19 Company Desember 31, 19

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SCHEDULE D-Part 3

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Schedule all Bonds and Stocks SOLD, REDEEMED, or otherwise DISPOSED OF During 19...

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SCHEDULE X-UNLISTED ASSETS

..., or to which it had any interest, on the Het day of December, 19....., which is not entered on any other schedule

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12

ANNUAL STATEMENT OF THE

SCHEDULE &
Showing all Expenditures in Connection with Matters Before Legislative Bodies, Officers, or Departments of Consentant During 19......

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		TOTAL,	1 1		1

ANNUAL STATEMENT

TO THE

Internal Revenue Bureau, Treasury Department

WASHINGTON, D. C.

Supplemental to Returns of Annual Net Income

For the Year Ending December 31, 19

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Organized under the Laws	of the State of	as made to the
INSURANCE COM	MISSIONER of the STATE OF	
	pursuant to the laws thereof.	
Incorporated	Commenced Business	
Home Office	and Proplet)	dity of from the finish.)
	OFFICERS	
President		
Secretary	Vice Presidents	
Treasurer		

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		SBURSEMENTS			
((2) (9) 94.01Y.7			
	Gross American Paul Lat	Comprisons	Total Delumba	Ind Assesser Part Policy-	
			-		
J. Accident.	1			1	
3. Health,					
3. Liability, 1					
4. Worksten's compensation,					
S. Fidelity,					
6. Surety,		-			
J. Plate glass,				-	1
Steam boiler Burglary and theft,					
O. Credit,					
2 Title,					
				1	1 11111111
13. Flywheel, 14. Auto and teams property damage					
15. Workmen's collective,					
M. Live stock	A CONTRACTOR OF THE PARTY OF TH				
17. TOTALS,					1.1111111111111111111111111111111111111
18. Javestigation and adjustment	of claims, viz.:		-		
19. Accident, \$; Health, 8	; Liabhty, 8.	Workmen		
20. Fidelity. S		Plate glass, S.	Steam boi	er, 1	
21. Burglary and theth, \$; Credit, S	Sprinkler, S. Workmen's	Title,	· s	
	Auto and teams	Worksten #	Live stock		
			and a great property of		
23. Policy fees retained by agents 24. Commissions or brokerage, les	so amount received on return p	remiums and reimuranes for	the following classes		
25. Accident, S.		Liability, 8.	; compensatio		
	; Surety, \$	management a reason for many	Steam boi	er, S;	
27 Burglary sad bets \$; Credit, 1	Sprinkler, 8.	Title,	J	
	; property damage, 1	Workman's collective, 3	minutes and a second		1-1111111111
29. Salariss, fres, and all other co	ompensation of omcers, directo	ty, srustees, and nonse onice			
20. Salarses, traveling, and all ot				A	1-1111111
33. Medical examiners' Iem and o					1-11111111
32, Inspections (other than medi-			والمراجع والما		
33. Rente, including 5					
34. Repairs and expenses (other)					
35. Tenen on real estate,				. ,	
36, State taxes on premiums, . 37, Insurance Department horne					
37. Insurance Department Borne 88. All other bresom, free, and to					
39. Federal corporation tax other					1 11111111111
40. Federal income and profits to					
41.	**********************			The Company of the Company of the Company	
42.					
43, Legal expenses,					
44. Advertising.					- I I I I I I
43. Printing and stationery.					
40. Postage, telegraph, telephone					
47. Purniture and fixtures.					
48. Stockholders for interest or d					
40. Cther dubersements (give its		-			
50					
81.					
52. Agente' balances charged off,					
83. Borrowed mency repaid (gree	w),				
54. Interest on borrowed money,					
85. Grom loss on sale or maturity	of ledger amote, vis.:				
* (a) Real estate, per Sche	idula A	4 - 4 - 5 - 5 - 5 -	and the same		
(b) Bonds, per Schedule					
	D		ست کا در داد در د		
56. Gross decrease, by adjustmen		le, vie.:			
(a) Real estate, per Sche					
(b) Bendh, per Schedule	D				
	D				

1. Book value of ros			IV-LEDG	ER ASSETS		11		Ш		11		Ш
	d estate Gem 8:		seumbrances) per Sched	sle A	. 8.	44.	44	11-	11	11		Ш
2. Mortgage loans or	a real estate, per	Schedule B, first I	iona,	* 1		11	11		11	11	11.	Ш
Other than fir	mt,					44-	11	1.1.1.	. 1	11	Н	Ш
Loans secured by	pledge of bonds,	stocks, or other ec	diaterala, per Schedule (Ш.	11	.	1	Ш	Ш	Ш
4. Buck value of bor	ds, 3	; and s	locks, #	per Schodule D,		1			11	Ш		Ш
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			, per Schedule N							11	Ш	Ш
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. Steam boiler.				***************************************		Ш	Π			Ш		Π
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BULLETIN "

INCOME TAX RULINGS PECULIAR TO INSURANCE COMPANIES.

ERRATA SLIP.

PAGE 11. PARAGRAPH 28. SHOULD READ AS FOLLOWS:

28. Invested capital of stock fire insurance companies.—The invested capital of a stock fire insurance company within the meaning of the statute is the capital paid in by the stockholders, the surplus and undivided profits of prior years remaining in the business at the close of the previous year, and the unearned premium reserve, less the defined deduction for inadmissible assets and such further adjustments as are contemplated by the statute. The computation of invested capital will be based upon the annual statement rendered to the insurance department at the close of the previous year.

Generally speaking, the invested capital of a stock fire insurance

company will comprise the following:

(a) Gross assets at the close of the previous year.

(b) Plus: Excess of cost price of real estate and securities over book value. (The result will be the gross assets on the basis of actual cost.)

(c) Minus:

- (1) Excess of market value of real estate and securities over book value.
- (2) Excess of book value of real estate and securities over cost price.

The result will be the gross assets on the basis of actual cost. •

(d) Minus:

- (1) Net amount of unpaid losses and claims less reserve for unreported losses;
- (2) Amounts reclaimable by the insured on perpetual policies;

(d) Minus—Continued.

(3) Unused balances of bills and notes included in admitted assets taken in advance of premiums on open marine and inland policies or otherwise, returnable on settlement:

(4) Interest, salaries and rents due or accrued;

- (5) Estimated amount hereafter payable for all taxes other than Federal income and profits taxes;
- (6) Contingent commissions or other charges due or accrued:

(7) Funds held under reinsurance treaties;

(8) Amounts due and to become due for borrowed money.

(e) Minus: Depreciation computed on the cost of the buildings from the date of acquisition to the beginning of the taxable year.

(f) Plus or minus: Changes in invested capital during the year, as follows:

Additions:

(1) By sale of capital stock for cash or other assets;

(2) By payment of assessments or surplus by stock-holders.

Deductions:

(1) By payment of cash dividends out of earnings of prior years, or the first 60 days of the taxable year;

(2) By proportionate part of Federal income and

profits taxes due and payable.

(g) Minus: Percentage of inadmissible assets computed in accordance with section 326(c).

PAGE 13, PARAGRAPH 41, SHOULD READ AS FOLLOWS:

41. Invested capital.—The invested capital of a stock casualty insurance company comprises the following:

(a) Gross assets at the close of the preceding year.

(b) Plus: Excess of cost price of real estate and securities over book value. (The result will be the gross assets on the basis of actual cost.)

OI

(c) Minus:

(1) Excess of market value of real estate and securities over book value as indicated by items 39 and 40 on page 4 of the annual statement, convention edition:

(2) Excess of book value of real estate and securities over cost.

The result will be the gross assets on the basis of actual cost.

(d) Minus:

- (1) Estimated expenses of investigation and adjustment of unpaid claims;
- (2) Commissions, brokerage, and other charges due, or to become due, to agents or brokers;
- (3) Salaries, rents, expense bills, etc., due or accrued;
- (4) Estimated amount hereafter payable for taxes (exclusive of Federal income and profits taxes);
- (5) Amounts due or to become due for borrowed money;

(6) Interest due or accrued;

(7) Returned premiums and reinsurance.

- (e) Minus: Depreciation computed on the cost of buildings from the date of acquisition to the beginning of the taxable year.
- (f) Plus or minus: Changes in invested capital during the year, computed in accordance with the regulations applicable to corporations in general, as follows:

Additions:

- (1) By sale of capital stock for cash or other assets;
- (2) By payment of assessments or surplus by stock-holders.

Deductions:

- (3) By payment of cash dividends out of the earnings of previous years or the first 60 days of the taxable year;
- (4) By proportionate part of Federal income and profits taxes due and payable.
- (g) Minus: Inadmissible assets computed in accordance with section 326(c).

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